



**SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER
AUDIT DIVISION**

**Joseph Sawicki, Jr.
Comptroller**

An Audit of the
**Riverhead Health Center
and Satellite Offices**
For the Period
January 1, 2007 through December 31, 2007

**Report No. 2009-07
Date Issued: September 14, 2009**

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Joseph Sawicki, Jr.
Suffolk County Comptroller

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LETTER OF TRANSMITTAL

July 27, 2009

Hon. Joseph Sawicki, Jr.
Suffolk County Comptroller
Suffolk County Department of
Audit and Control
H. Lee Dennison Executive Office Building
100 Veterans Memorial Highway
Hauppauge, N.Y. 11788-0099

Dear Mr. Sawicki:

In accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), an audit was conducted of the Riverhead Health Center (the "Health Center" or "Center") located at 300 Center Drive, Riverhead, NY 11901. The Center has two satellite offices; one is located on Meeting House Lane in Southampton and the other is on Accabonac Road in East Hampton.

Our audit objectives were limited to the following:

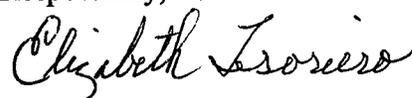
- To review and test internal controls relating to the receipt, processing, recording and depositing of County revenues.
- To determine if the Health Center and the satellite offices have complied with laws, regulations, and Suffolk County Standard Operating Procedures (SOPs) that are applicable to the revenue collection process.

We conducted our performance audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations which are included in our audit scope. Further, these standards require that we understand the internal control structure and compliance requirements stated in laws and regulations that are significant to our audit objectives.

An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings and recommendations.

We also noted certain matters that were reported to the Department of Health Services in a separate letter dated July 27, 2009.

Respectfully,

A handwritten signature in cursive script that reads "Elizabeth Tesoriero".

Elizabeth Tesoriero, CPA
Executive Director of
Auditing Services

SUMMARY OF SIGNIFICANT AUDIT FINDINGS

Compliance – Our review of applicable laws, regulations, and Standard Operating Procedures (SOP) applicable to revenue collection revealed the following matters of noncompliance:

- The Health Center and its satellite facilities did not always comply with the provision in SOP D-08 which requires departments to deposit all proceeds within twenty-four hours of receipt (p. 7).
- The Southampton and East Hampton satellite facilities did not comply with the provision in SOP D-08 which requires that cash and checks be safeguarded and locked in a safe or secure cabinet until deposited (p. 7).
- The Health Center and the Southampton satellite facility did not comply with the provision in SOP D-08 which requires that a log of all bank deposits be maintained (p. 8).
- The Southampton and East Hampton satellite facilities did not comply with the provision in SOP D-08 which requires that an employee who is independent of the collection and deposit of fees process perform a daily verification to ensure that all monies received were properly deposited into the bank (p. 9).

Internal Controls – Our testing of internal controls relating to the receipt, processing, recording and depositing of County revenues disclosed the following weaknesses in the internal control structure:

- Employees performing the checkout function (collection of patient fees and posting to the HCIS) have access to screens on the HCIS which are incompatible with checkout duties (p. 10).
- Batches recorded in the HCIS that have a zero amount collected are not examined further to determine if there were transactions that were processed and then subsequently deleted (p. 10).
- Batches entered into the HCIS prior to February 1, 2007 remained on the System for a period of only 90 days before data in the header portion of HCIS was deleted (p. 11).

We also noted other matters regarding internal controls that are not considered to be reportable under Government Auditing Standards (p. 12).

GENERAL INFORMATION

The Riverhead Health Center and its satellite facilities located in Southampton and East Hampton are part of the Suffolk County Department of Health Services Division of Patient Care. The Division provides comprehensive health care services, accessible to all individuals and families, through a network consisting of eight health centers and three satellite facilities. The Health Center and its satellite facilities provide primary care services to patients in varying degrees. Patients requiring services not available at the satellite facilities are referred to the Riverhead Health Center. Those patients requiring services not provided at the Riverhead Health Center are referred to the Peconic Bay Medical Center in Riverhead.

Patients who do not have medical insurance coverage are charged a fee for services rendered; the fee is determined according to a sliding scale prescribed by the Department and is based on income level and family size. Payments are also received from Medicare, Medicaid, the Suffolk Health Plan and private health insurance carriers for services provided to eligible patients; however, no one is denied services because of inability to pay. Certain revenues, primarily Medicaid payments, are remitted directly to the Department of Health Services.

The Department requires that all payments received by the Health Center and the satellite offices be processed through the Health Center Information System (HCIS) and deposited directly into a Department bank account. The Riverhead Health Center collected \$897,801 in revenue and the Southampton and East Hampton satellite facilities collected \$599,451 and \$127,183, respectively during the 2007 audit period.

SCOPE AND METHODOLOGY

We have audited the internal controls of the Riverhead Health Center and its satellite facilities for the period January 1, 2007 through December 31, 2007. The objectives of this audit were identified in the Letter of Transmittal (p. 1). To accomplish our objectives, we performed the following procedures:

- Reviewed applicable Suffolk County laws, regulations and Standard Operating Procedures.
- Interviewed personnel responsible for the receipt, processing, recording, depositing, and reconciling of receipts to obtain an understanding of their procedures.
- Obtained and reviewed a copy of the patient invoice database which contained the detail of all receipts processed by the Center and its satellite facilities through the Health Center Information System (HCIS) during the period January 1, 2007 through December 31, 2007.
- Sampled revenue transactions recorded on HCIS and performed various tests to determine if the recorded transactions agreed to information in the patient file and were properly billed, that payment was requested from non-insured patients, and that any payments received were deposited.
- Sampled transactions recorded on manual receipts to determine if revenues received were properly recorded in HCIS and included in a bank deposit.
- Sampled transactions and tested for unrecorded revenue by performing certain tests to examine the validity of 1) deleted transactions, 2) cancelled and no-show appointments, and 3) patient visits for which there were no charges.
- Reviewed bank statements in order to determine if the Health Center and its satellite facilities are depositing all monies received within 24 hours as required by Suffolk County SOP D-08.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on operations that have been identified through preliminary planning procedures as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where

and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, generally highlights those areas needing improvement and does not address activities that may be functioning properly.

FINDINGS AND RECOMMENDATIONS

Compliance

The Health Center and its satellite facilities did not always comply with the provision in SOP D-08 which requires departments to deposit all proceeds within twenty-four hours of receipt. Our audit testing revealed the following:

- Riverhead Health Center – The Riverhead Health Center did not deposit funds within 24 hours of receipt for 23 of 33 batches tested (70%). This included one instance in which the deposit was made more than 10 days after the funds were received.
- East Hampton satellite facility – The East Hampton satellite facility did not deposit funds within 24 hours of receipt for 13 of 17 batches tested (76%). This included four instances in which the deposit was made 10 or more days after the funds were received.
- Southampton satellite facility - The Southampton satellite facility did not deposit funds within 24 hours of receipt for all 26 batches tested. The satellite facility did not make a deposit between July 2, 2007 and August 27, 2007, a period of 55 days. Furthermore, we found that the facility did not make a deposit between November 3, 2006 and February 5, 2007, a period of 94 days.

Recommendation 1

In order to be in compliance with SOP D-08, the Health Center and its satellite facilities should deposit all proceeds within twenty-four hours of receipt.

The Southampton and East Hampton satellite facilities did not comply with the provision in SOP D-08 which requires that cash and checks be safeguarded and locked in a safe or secure cabinet until deposited. The East Hampton satellite facility keeps cash, checks and credit slips collected during the day in a desk drawer which cannot be locked. The Southampton satellite facility keeps cash, checks and credit slips

collected during the day in a file cabinet which cannot be locked. Furthermore, the key to the safe at the Southampton satellite facility is left in an unlocked cabinet in an unlocked room. The fact that the key is accessible to all staff and potentially even visitors to the facility defeats the purpose of placing the funds in a safe.

Recommendation 2

In order to be in compliance with SOP D-08, the Southampton and East Hampton satellite facilities should ensure that cash and checks are properly safeguarded and locked in a safe or secure cabinet until deposited.

The Health Center and the Southampton satellite facility did not comply with the provision in SOP D-08 which requires that a log of all bank deposits be maintained. The log is required to contain the deposit date, deposit amount, the signature of the employee responsible for taking the deposit to the bank, and the signature of the employee that verified that the deposit was made by reviewing the receipted deposit slip.

The Health Center changed their procedures during the year 2008 and made arrangements to remit their deposits to the Suffolk County Treasurer's Office instead of bringing their deposits to the bank. Even though this procedure is acceptable, the Health Center is not maintaining a log of deposits remitted to the Treasurer.

Recommendation 3

The Health Center and the Southampton satellite facility should maintain a log of all bank deposits in accordance with the provisions of SOP D-08. We also recommend

that the log include the batch number(s) for each deposit. The Health Center's log should be modified to reflect their current procedure of remitting deposits to the Treasurer's Office. In addition, a copy of each monthly log should be sent to the Department's Revenue Unit to facilitate the bank reconciliation process and to the Department's unit that is responsible for reconciling HCIS batches to bank deposits.

The Southampton and East Hampton satellite facilities did not comply with the provision in SOP D-08 which requires that an employee who is independent of the collection and deposit process perform a daily verification to ensure that all monies received were properly deposited into the bank. Since certain employees collect monies and post payments (incompatible duties) it is important to have other controls in place to ensure that cash is properly deposited.

Recommendation 4

An employee that is independent of the collection and deposit process should be assigned the responsibility of performing a daily verification that all monies received were deposited. This process should include verifying that all payments (including payments reflected on manual receipts) are posted to HCIS and included in the bank deposit.

Internal Controls

Our testing of internal controls relating to revenue collection disclosed the following weaknesses in the internal control structure:

Employees performing the checkout function (collection of patient fees and posting to HCIS) have access to screens on the HCIS which are incompatible with checkout duties. These screens allow employees performing checkout functions to:

- Delete transactions within a batch as well as entire batches recorded on HCIS. Batches deleted in their entirety may be recovered only if the deletion is discovered within the same calendar month. Batch deletions increase the risk that revenue may be misappropriated and that the misappropriation may not be detected in a timely manner.
- Alter information in diagnostic code (DX) fields recorded on HCIS. The patient's fee is based on a combination of the patient's financial status classification (FSC) and the DX codes associated with the visit. Certain DX codes do not require a co-pay from the patient regardless of the patient's FSC. An unscrupulous employee could process the visit, collect the co-pay, change the code and misappropriate the co-payment. There is an audit history in HCIS which would identify the employee who changed the DX code, but the risk of defalcation should not exist.

Recommendation 5

The Health Department should disable incompatible functions for any user who is able to perform the checkout function. The Department should also review the Batch Maintenance Report generated each month to determine if batches were deleted.

Batches recorded in the HCIS that have a zero amount collected are not examined further to determine if there were transactions that were processed and then subsequently deleted. This increases the risk that funds could be misappropriated and the irregularity not detected in a timely manner.

Recommendation 6

Batches recorded in the HCIS should be reviewed for deleted transactions even if the reported amount collected is zero to ensure that transactions were not processed and then subsequently deleted.

Batches entered into the HCIS prior to February 1, 2007 remained on the System for a period of only 90 days before data in the header portion of HCIS was deleted. Changes made to an invoice after the initial period were assigned a new batch number and the new batch number could not be traced back to the batch number that the invoice was originally associated with after the 90 days. It should be noted that the Department increased the retention time period to 720 days subsequent to our audit period.

Recommendation 7

The HCIS should be modified so that there is a link between the information before and after the headers are deleted. If possible, software updates or modifications should be made to HCIS in order to maintain the data in the header portion and for proper audit trail purposes. Furthermore, new procedures should be instituted to back up all necessary relevant data.

We also noted other matters regarding internal controls that are not considered to be reportable under Government Auditing Standards as follows:

Entries into the suspense account on the HCIS cannot be traced back to the collection site resulting in difficulties in tracking certain revenue transactions. The Health Center and the satellite facilities use the same suspense account on HCIS to record collections related to providing copies of medical records.

Recommendation 8

Regarding the suspense account on the HCIS, the system should be modified to include the identity of the collection site.

There was no indication on the HCIS that payment was requested from patients with outstanding balances for 2 of 25 patients selected for testing (8%). Although services are provided to patients regardless of their ability to pay, failure to ask the patient for payment will result in reduced revenue to the County.

Recommendation 9

The Health Center and its satellite facilities should request payment from all patients that have a required co-pay or sliding scale fee. If a payment is not received, the employee should document the request for payment and the reason for non-payment in the comments section on HCIS.

An employee at the Southampton satellite facility walks approximately one-quarter mile to the bank to make deposits averaging \$900 - \$1,000 per deposit. Walking to the bank increases the risk of loss due to theft and provides opportunity for potential harm to the employee.

Recommendation 10

Employees should drive to the bank to deposit revenues, rather than walk, to reduce the risk of theft and to safeguard themselves from harm.

This report is intended solely for the information and use of the Suffolk County Department of Health Services and responsible Suffolk County officials and is not intended to be used by anyone other than these specified parties. However, this report is available for public inspection.

APPENDICES

APPENDIX A

COUNTY OF SUFFOLK

STEVE LEVY
SUFFOLK COUNTY EXECUTIVE

DEPARTMENT OF HEALTH SERVICES

HUMAYUN J. CHAUDHRY, D.O., M.S.
Commissioner

August 28, 2009

Elizabeth Tesoriero, CPA
Executive Director of Auditing Services
Office of the Comptroller
H. Lee Dennison Building
100 Veterans Memorial Highway
Hauppauge, NY 11788-0099

RE: Riverhead Health Center and Satellites Draft Report

Dear Ms. Tesoriero:

In response to the Draft Report on the audit of the Riverhead Health Center and Satellites, issued on July 27, 2009, please find the Department's written response. Thank you for the courtesy of extending the deadline for response. Our response was developed with the input of Department staff responsible for Revenue Management, the Division of Patient Care, and the Riverhead Health Center Administrator during an internal meeting to review the draft report.

Compliance

1. Observation

The Health Center/Satellites did not always comply with SOP D-08 which requires departments to deposit all funds within twenty-four hours of receipt.

Recommendation

The Health Center/Satellites should deposit all funds within twenty-four hours of receipt.

Action Plan: The Health Center Administrator was directed to maintain full compliance with SOP D-08. In response to the audit, and prior to the issuance of the draft report, arrangements were made with the Suffolk County Treasurer, located in the Riverhead County Center, to pick up deposits from the Riverhead Health Center, and make the daily bank deposit. The satellite Health Centers in Southampton and East Hampton are now making daily deposits, and will make arrangements to use the night deposit box at the bank, if after bank hours.



OFFICE OF THE COMMISSIONER
225 Rabro Drive East, Hauppauge, NY 11788 (631) 853-3000 Fax (631) 853-2927

2. Observation

The Satellites did not comply with SOP D-08 which requires that cash and checks be safeguarded and locked in a safe or secure cabinet until deposited.

Recommendation

The Satellites should ensure that cash and checks are properly safeguarded.

Action Plan: The Health Center Administrator has been directed to ensure 1) that the East Hampton satellite, which has a locking safe deposit box, must be kept in a locked cabinet or desk, and 2) that the key for the Southampton safe must be kept in a locked cabinet, accessible only by the appropriate staff.

3. Observation

The Health Center/Satellites should maintain a log of all bank deposits in accordance with SOP D-08.

Recommendation

The Health Center/Satellites should maintain a log of all bank deposits, including the batch number(s) for each deposit. The monthly log should be sent to the Department's Revenue Unit for reconciliation.

Action Plan: The Health Center Administrator was directed to maintain the appropriate log for the Health Center/Satellites and to submit monthly to the Revenue Unit. The logs are being used by all Health Centers/Satellites, and monthly reconciliation is being established as an official policy and procedure.

4. Observation

The Satellites did not comply with SOP D-08 which requires independent daily verification to ensure proper daily bank deposits.

Recommendation

An employee independent of the collection and deposit process should be assigned the responsibility of daily verification that all deposits are posted to HCIS and included in the bank deposit.

Action Plan: The Health Center Administrator was directed to implement daily verification that all payments are posted to HCIS and included in the bank deposit.

5. Observation

Employees performing checkout function have access to HCIS screens incompatible with checkout duties, which would allow these employees to delete entire batches or transactions within a batch or alter information in diagnostic code fields which could affect the patient's fee.

Recommendation

The Department should disable incompatible functions and also review the Batch Maintenance Report generated each month.

Action Plan: The ability to delete batches has been restricted to a limited number of key personnel. The Batch Maintenance Report will be reviewed on a monthly basis; this function is being established as an official policy and procedure. Although the ability to alter information in diagnostic code fields on the MD Charges screen cannot be restricted, there is an audit trail on the encounter form (this was demonstrated to the auditors on a subsequent visit).

6. Observation

Batches recorded in HCIS that have a zero amount collected are not examined to determine if there were transactions processed and then deleted.

Recommendation

Batches should be reviewed for deleted transactions even if the reported amount collected is zero.

Action Plan: The Revenue Unit Director has been directed to review these zero amount transactions for any irregularities. As part of the bank deposit/batch reconciliation process, zero amount transactions will be reviewed. This function will be established as an official policy and procedure.

7. Observation

Data in the header portion of HCIS was only retained for 90 days during the audit period.

Recommendation

HCIS should be modified so that there is a link between the information before and after the headers are deleted.

Action Plan: The retention time limit was increased to 720 days subsequent to the audit. Hard copy records will be kept for a minimum of six (6) years.

8. Observation

Entries into the suspense account on HCIS cannot be traced back to the collection site.

Recommendation

HCIS should be modified to include the identity of the collection site.

Action Plan: Three separate suspense accounts have been created, one for each site (Riverhead, Southampton, East Hampton).

9. Observation

There was no indication on HCIS that payment was requested from patients with outstanding balances.

Recommendation

The Health Center/Satellites should request payment from all patients and document that request and reason for non-payment on HCIS.

Action Plan: The Health Center Administrator has been directed to have staff notate the request for payment, and if applicable, the reason for non-payment, on HCIS. The Revenue Unit Director has emailed this directive to all Health Center Administrators. All check-out staff have been trained.

10. Observation

An employee at Southampton Satellite walks ¼ mile to the bank to make deposits.

Recommendation

Employees should drive to the bank with deposits.

Action Plan: The Health Center Administrator has been directed to have staff drive to the bank with deposits, and staff no longer walk to the bank.

I would like to thank you and your staff for your input and guidance, which will assist the Department of Health Services in our efforts for continuous improvement, and in strengthening our internal control/revenue collection processes.

Sincerely,


Humayun J. Chaudhry, D.O., M.S.
Commissioner of Health Services

HJC/MB:jat

ec: Fred Pollert, Deputy County Executive for Finance and Management
Connie Corso, Budget Director
Beth Reynolds, Principal Executive Analyst
Christina Capobianco, Chief Deputy Comptroller
Jean Trentini, Chief Auditor
Joseph Pecorella, Principal Auditor
Thomas Macholz, Senior Auditor
Matthew Miner, Deputy Commissioner
Margaret Bermel, Director of Health Administrative Services
Dr. Shaheda Iftikhar, Director of Patient Care Services
Donald Fahey, Federal & State Aid Claims Coordinator
Susan Hodosky, Principal Financial Analyst
Bruce Wladyka, Principal Financial Analyst
Patricia Stearns, Clinic Administrator, Riverhead Health Center

APPENDIX B

Exit Conference Report

Auditee: Riverhead Health Center and Satellite Offices

The response submitted by the Department of Health Services (Appendix A, p.15) indicates that they intend to implement our recommendations. We extend our gratitude to the Department, the Riverhead Health Center, and the satellite offices for their cooperation during the audit and for taking corrective action to address the deficiencies identified in our report.